



**Director of
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RED SEA:**Mine-Clearing Update**

No confirmed mines have been discovered in the Gulf of Suez after four days of US and British minehunting operations. [redacted]

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Five mine-like objects have been located by US personnel, but all are in water too deep for divers to investigate. Egypt, meanwhile, has indicated it would like to have the Suez Canal swept for mines. [redacted]

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Comment: Traffic in the Suez Canal would have to be stopped to permit the minehunting operations. So far there is no indication of mines there. [redacted]

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Libyan and Iranian Movements

[redacted]

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Comment: Egyptian concern about Libyan and Iranian ships remains high. Vessels of both countries continue to be thoroughly inspected and then escorted by the Egyptian Navy through Egyptian waters.

[redacted]

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Italian Participation

Italian Government officials reportedly expect no difficulty today in gaining parliamentary approval for three Italian minehunters and a support ship to participate in the Gulf of Suez mine-clearing operations. A senior Italian official has told the US defense attache that there is some dissatisfaction in Rome over the area the Italians have been assigned to sweep. [redacted]

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Comment: Italy already has assembled the force necessary to respond to the Egyptian request, and its ships could depart for the Gulf of Suez as early as tomorrow. The Italians are dissatisfied because they believe the areas they have been assigned to sweep are of secondary importance. [redacted]

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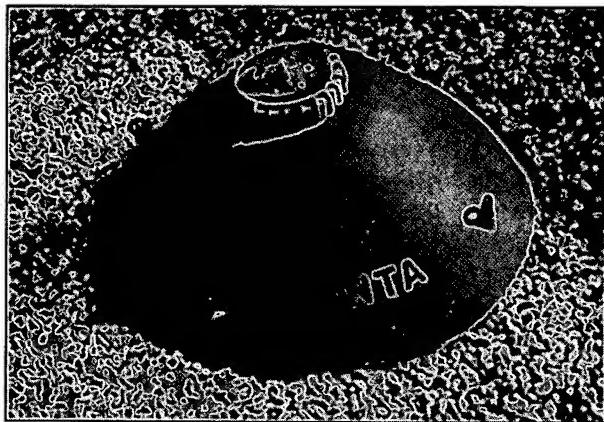
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[redacted]

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Manta Mine

The Manta mine operates at depths between 1.5 and 100 meters. It remains effective underwater for more than one year. Its weight and shape are such that it rests firmly on the sea bottom even in running or tidal waters. The mine is about one foot high and has a diameter of about three feet.

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The Red Sea Mines

The most likely candidate for the Red Sea mines is the Italian "Manta" anti-invasion mine. This mine has a warhead of about 100 kg and is capable of operating in water up to 40 meters deep, characteristics that appear to match the light-to-moderate damage ships have received from the mysterious explosions in the Red Sea.

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Larger mines designed to sink seagoing ships are ruled out because no ship has yet been sunk. The typical small-charge antiamphibious mine is generally not effective in water over 10 meters deep.

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A second, though less likely, possibility is that the mines are some type of device constructed in a third world country, such as Libya, using an unsophisticated design. A larger number of these less sophisticated devices would have been required, however, to obtain the same number of hits, thus increasing the chance that one or more would have been recovered or at least detected by now.

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Comment: Libya and Iran have both expressed strong interest in acquiring the Manta mine in the past. Sources in the Italian Government have emphatically denied that these mines have been sold directly to either Iran or Libya. Iraq, Malaysia, and Indonesia have purchased them in large quantities, however, and they probably are readily available on the world market.

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The nonmetallic construction of the Manta case makes it very difficult to detect on the bottom, even with the advanced minehunting sonar aboard the British, French, and Italian ships. Soviet minesweepers operating in the southern Red Sea will be hard pressed to locate any such mine without an advanced minehunting sonar.

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SAUDI ARABIA:**Hajj Disruptions**

A series of incidents over the past week have reinforced Saudi suspicions that foreign powers are plotting to disrupt the Hajj—Islam's annual pilgrimage to Mecca—and Riyadh will react by even harsher treatment of suspect pilgrims.

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Saudi customs officials discovered 2 kilos of a Czechoslovakian plastique explosive in the false-sided luggage of a "pilgrim" with Afghan documentation on a nonstop flight from Kabul on Friday, according to Embassy sources. The Saudis suspect that the incident reflects a Soviet-backed terrorism plan.

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Meanwhile, the US Embassy in Jiddah reports that nearly 20,000 Iranians demonstrated in Medina last Thursday carrying pictures of Khomeini and shouting religious slogans. Saudi security was tight, and there was no violence.

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Comment: The discovery of plastique explosives indicates the Saudis face a more sophisticated security threat than in previous years. Riyadh is better prepared to handle the traditionally staged political demonstrations, which generally are nonviolent and involve only placards and slogans.

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Additional serious incidents are likely because only about one-fourth of the pilgrims have arrived. Official ceremonies begin next week and will continue through the first week of September.

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Pro-Qadhafi extremists among the Libyan pilgrims are most likely to attack Libyan dissidents in Saudi Arabia—as Qadhafi has publicly urged them to do—and probably also will mount demonstrations to embarrass Riyadh.

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USSR-OPEC:**Increased Oil Supply Deals**

Moscow is accepting larger amounts of petroleum from a growing number of OPEC states under mutually advantageous arrangements to settle commercial obligations. [redacted]

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The US Embassy in Moscow reports that Algeria is the latest state to consider barter deals. According to the Embassy, Algiers wants to follow Libya's pattern and establish an oil arrangement to resolve payment obligations. [redacted]

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The Embassy estimates that Soviet imports of OPEC oil in the first quarter of 1984 averaged about 285,000 barrels per day compared with an estimated annual average of 218,000 barrels per day last year and 162,000 in 1982. [redacted]

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Comment: The financial constraints faced by some OPEC states due to a soft oil market makes guaranteed oil deliveries preferable to Moscow rather than the uncertainties of cash payments despite the extra inconvenience. These imports have been responsible in part for the USSR's ability to increase its hard currency earnings from oil sales since 1981. [redacted]

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Nearly 40 percent of this oil comes from Libya as payment for military hardware. The Soviets also purchase an estimated combined total of 90,000 barrels per day from Iran, Iraq, and Saudi Arabia to help cover Soviet oil contracts with India. Saudi oil shipments are credited against Baghdad's military debt to the USSR. [redacted]

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Moscow has been unable to translate its oil supply relationship into increased Soviet influence.

- Tehran has suppressed the Communist Party and has spurned Soviet efforts to improve relations because of Moscow's support for Iraq.
- Qadhafi has maintained his independent foreign policy despite his large oil trade with Moscow.
- Baghdad's dependence on Soviet arms has not caused the Syrians to grant political concessions to the USSR. [redacted]

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With no improvement in short-term market conditions likely, the Soviets will continue to accept oil from OPEC members rather than insisting on cash payments as a way of ensuring immediate receipts from arms sales. The amount of OPEC oil being reexported, however, is not large enough to have a major disruptive impact on world oil markets. [redacted]

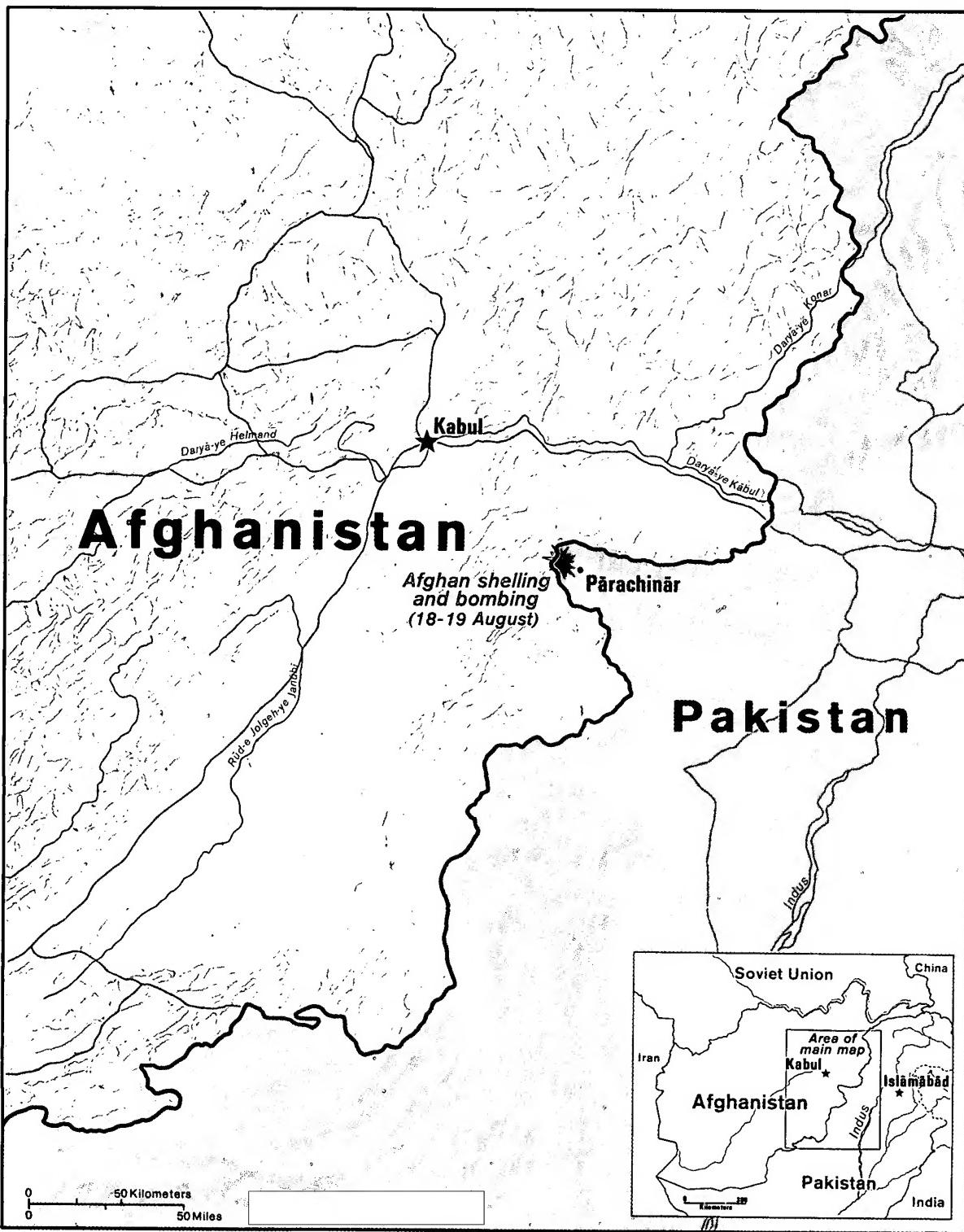
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AFGHANISTAN-USSR-PAKISTAN: Border Incidents Increasing

Shelling and bombing from Afghanistan caused 52 casualties in Pakistan over the weekend, according to a Pakistani official and press reports. There have been four such incidents during the past week, all within several kilometers of each other in an area where insurgents cross the border.

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Comment: The latest incidents probably occurred during operations against Afghan insurgents and suggest that Soviet and Afghan field commanders probably have been given greater leeway against them in the border area. The operations probably are aimed at restricting the movement of insurgents and disrupting their supplies.

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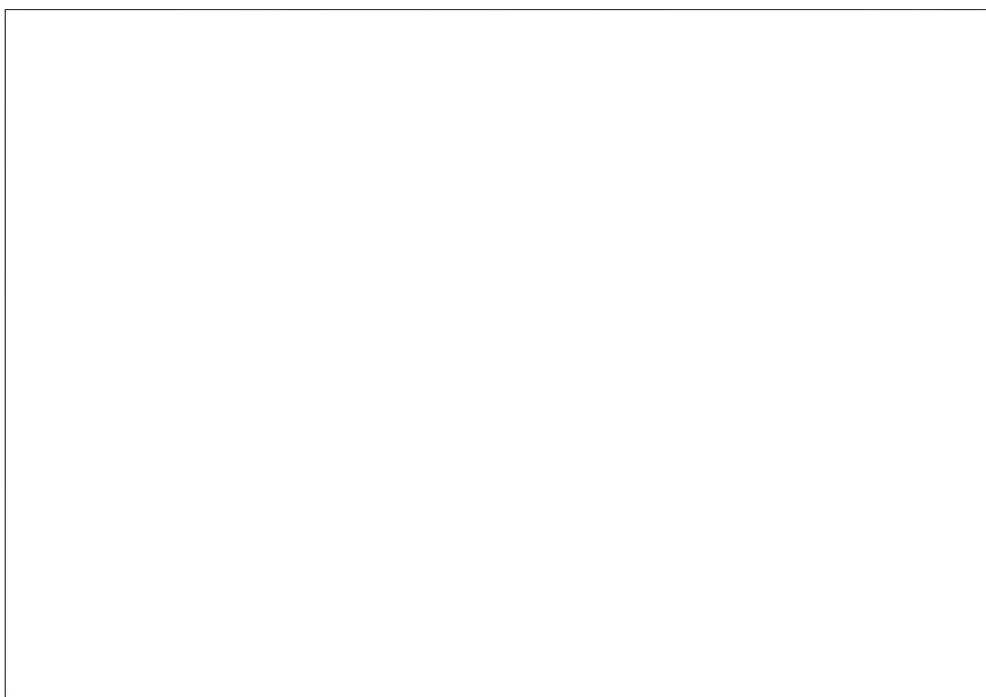
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UK: Flap Over Falklands War Incident

Prime Minister Thatcher probably will be able to refute renewed charges that the government lied to Parliament in connection with the sinking of the Argentine cruiser Belgrano. A Defense Ministry report leaked this weekend to a Labor MP said that the cruiser, sunk by a British submarine on 2 May 1982 in the first major clash of the war, was steaming away from the British task force when attacked.

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Comment: Thatcher probably will be able to answer critics by stressing that the decision to attack the Belgrano was taken after military advisers told her that the Argentine force posed a direct threat to British ships. She is not likely to face any extensive questioning about the case until Parliament returns from its summer recess in October, but the Labor MP—who has made the Belgrano a cause celebre for over two years—is certain to raise the issue. The Prime Minister will face major problems only if MPs are convinced that she deliberately misled them.

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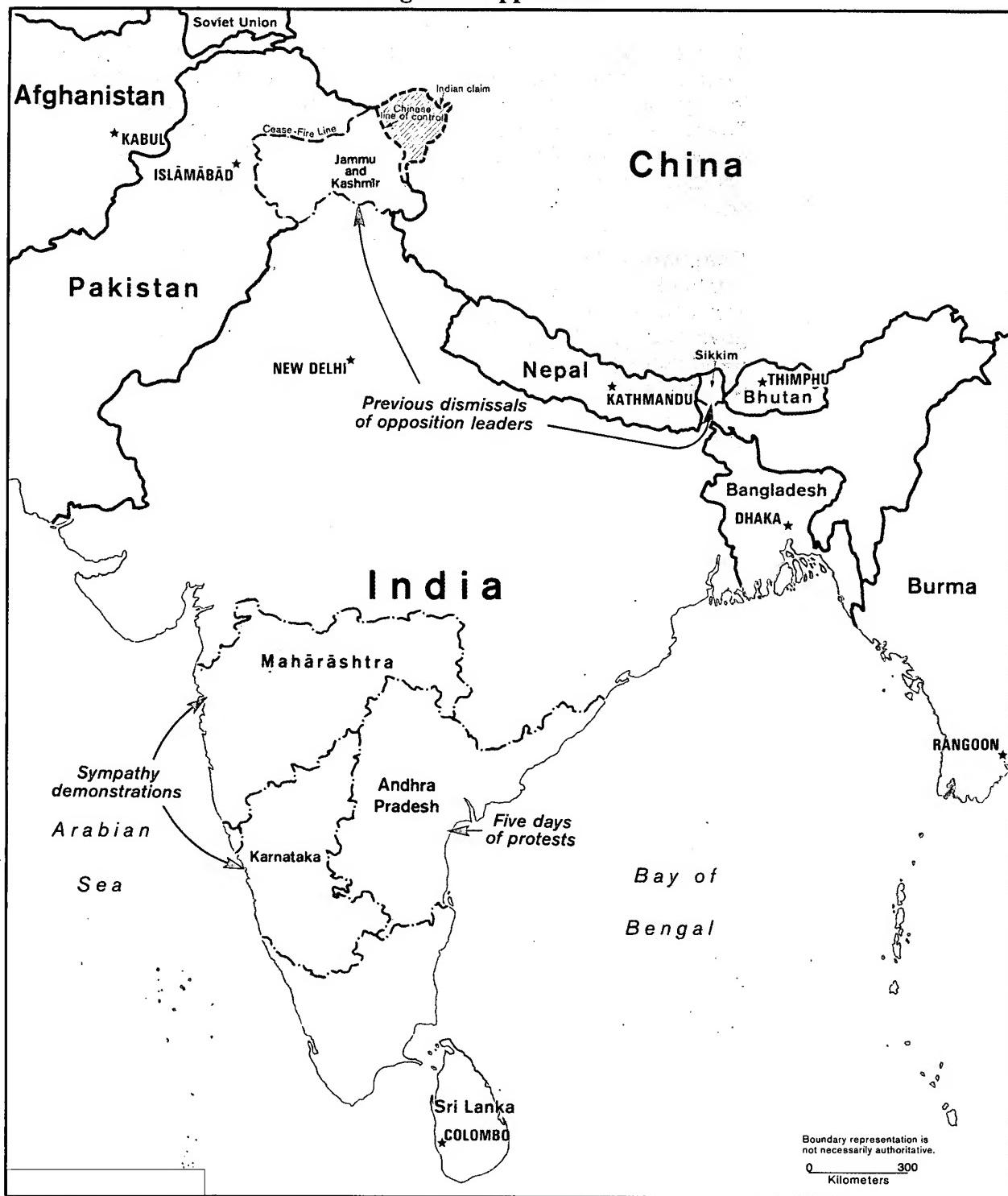
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Reaction to Government Moves Against Opposition



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INDIA: Protests Over Minister's Ouster

The US Embassy reports that the national outcry over the ouster on Thursday of the chief minister of Andhra Pradesh State is forcing Prime Minister Gandhi's government to play down its role. The dismissal has prompted five days of protests in Andhra Pradesh, resulting in 23 deaths and sympathy demonstrations in two neighboring states. Opposition politicians are charging that the replacement of the chief minister by a rival more acceptable to Gandhi's Congress Party was unconstitutional. The opposition fears that Gandhi plans similar maneuvers in Karnataka State. [redacted]

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Comment: Andhra Pradesh is the third state since May where a governor appointed by Gandhi has dismissed a popular opposition leader. The moves—designed to strengthen the ruling party's position before the national election—are likely to encourage opposition unity. If the protests force Gandhi to remove the new chief minister in Andhra Pradesh, she may decide to place the state directly under New Delhi's control rather than reinstate the former chief minister. [redacted]

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CHINA-PAKISTAN-INDIA: Views on Tensions

The Chinese military attache in Islamabad says Beijing believes current Indo-Pakistani tensions are a result of New Delhi's overreaction to domestic political problems. According to the attache, China believes relations will improve following Indian elections to be held by January. He says that last month China told Pakistani Foreign Minister Yaqub that India does not want war and that it has urged Pakistan to exercise restraint and maintain appearances of normalcy in its military activities to avoid provoking a reaction by India.

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Comment: The Chinese are urging Pakistani restraint to avoid further deterioration of Indo-Pakistani relations. Beijing probably knows Pakistan would be defeated in the event of an Indian attack. Moreover, its ability to provide military support to Pakistan is limited, and President Zia probably is realistic about the help he would receive.

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SOUTH AFRICA: Voting by Coloreds and Indians

Elections tomorrow and next Tuesday for the newly created parliamentary chambers will test support among 3.5 million Coloreds and Indians for the new constitution. According to official statistics, 1.3 million Coloreds and Indians have registered, and US diplomats report that a large voter turnout is expected. Many nonwhite groups, angered by the exclusion of blacks from the new parliament, are calling for an election boycott.

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Comment: The elections are important for the ruling National Party, which crafted the reforms that were passed in a referendum by white voters last November. The Nationalists have provided assistance and advice to their Colored and Indian allies to assure a large turnout. Election tensions are partly responsible for recent violence in the Colored and African communities of several cities. Further violence is possible between those urging a boycott and police, who have recently promised quick action against any "anarchists" who try to disrupt the elections.

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COSTA RICA: Cabinet Shuffle

President Monge's Cabinet shuffle is unlikely to solve the ideological infighting plaguing his administration. After requesting the resignations of all Cabinet and subcabinet officials, Monge relieved only seven of their duties, including leftist Security Minister Solano and rightist Government Minister Carro. According to the US Embassy, the new appointments represent all factions of the ruling party, including a rightist to the Security post and a leftist as Minister of Government. The Embassy also notes similar tradeoffs in economic areas.

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Comment: The breakup apparently was prompted, in part, by intemperate remarks by Solano, whose generally pro-Nicaraguan sympathies angered Monge. Nevertheless, the President's desire for ideological balance leaves his administration with the same contradictions that have caused ministers to work at cross purposes during the past two years. The chances of more infighting may be especially high in the economic area, where some doctrinaire Social Democrats will be expected to fit into a government that must curb public sector spending.

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ALBANIA-WEST GERMANY: Seeking Better Relations

Christian Social Union Chairman Strauss of West Germany made a private visit to Albania over the weekend. Strauss is the highest level Western politician to visit Albania since the end of World War II. The Albanian news agency reports Strauss met with Albanian Deputy Premier Myftiu.

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Comment: Albania's willingness to receive Strauss underscores its interest in improving relations with the Federal Republic specifically, and the West in general.

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The visit also indicates that younger members of the leadership, who are pressing for more contacts with the West, are finding sympathetic supporters for such a policy in Tirane. For his part, Strauss is anxious to build an image as an international statesman, and his trip to Tirane captures headlines.

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GUYANA: Cabinet Changes

President Burnham has reshuffled cabinet and party assignments in response to the retirement last week of ailing Prime Minister Reid. He named party stalwart Desmond Hoyte as the new Prime Minister and Hamilton Green as First Deputy Prime Minister, the third-ranking official in the government. Education Minister Chandisingh moved up to become one of four deputy prime ministers and assumed a senior position in the party. Burnham transferred responsibility for economic planning from Finance Minister Carl Greenidge to the Office of the President. [redacted]

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Comment: The changes are aimed at maintaining uncertainty as to the current favorite to succeed Burnham. Hoyte is a longtime Burnham loyalist who, unlike the ambitious and ruthless Green, has no independent power base. Greenidge may have been demoted for advocating that Guyana seek IMF help for its bankrupt economy. Chandisingh's appointment probably was aimed at attracting support from the Indo-Guyanese community. [redacted]

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In Brief

Europe

— **French** President Mitterrand may visit **Syria** . . . weighing Middle East peace initiative to counter Soviet moves if US fails to reactivate efforts after elections . . . Foreign Minister Cheysson to raise issue with Secretary Shultz next month. [redacted]

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— **Portuguese** having misgivings about arrival of deported **Romanian** war criminal Archbishop Trifa . . . considering official protest for alleged US failure to inform them of deportation . . . August lull in Lisbon should limit damage. [redacted]

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Americas

— **Canadian** Prime Minister Turner has proposed meeting with General Secretary Chernenko . . . would focus on nuclear disarmament . . . hopes revival of Trudeau's popular peace initiative will improve Liberals' election chances. [redacted]

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Middle East

— **Egyptian** Ambassador to **USSR** to depart for Moscow on Thursday . . . instructed to promote economic relations . . . no word on when Soviet Ambassador will arrive in Cairo. [redacted]

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Special Analysis

MEXICO: Adjusting Policy on Central America

Mexico is gradually changing the emphasis of its policy on Central America because President de la Madrid apparently believes a more evenhanded policy can ease tensions in the region and smooth relations with the US. Mexican leftists are critical, however, and the government will be reluctant to go much further to moderate its policies.

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There have been increasing signs of a policy shift:

- Mexico's oil deliveries to Nicaragua are less than half the volume of a year ago.
- De la Madrid last month for the first time openly urged Nicaragua to loosen its ties to the Soviets and East Europeans.
- The President also last month publicly warned the USSR and Cuba not to intervene in Central America. He had previously urged only the US to refrain from such action.
- Mexico has reduced its diplomatic support for Salvadoran rebels since the Duarte government came to power and has tightened restrictions on rebel front groups and exile groups in general in Mexico City.
- Mexico has improved traditionally poor relations with Guatemala by moving Guatemalan refugees away from the border area and making it generally more difficult for Guatemalan insurgents to operate along the frontier.

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Reasons for the Move

De la Madrid apparently believes the policy adjustments he has made will increase prospects for peace in Central America and prevent it from becoming an arena of greater East-West tension. He wants to avoid US military intervention in the region, which would present Mexican leftists with an exploitable political issue.

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The shift in emphasis also appears motivated by the considerable importance de la Madrid gives to maintaining good relations with the US. He probably hopes that efforts to achieve greater balance in Mexico's foreign policy will encourage the US to do more to help his country solve its pressing financial difficulties and economic problems.

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Outlook

Mexico City in the near term is likely to take some additional steps to curtail its diplomatic, political, and economic assistance to leftist governments and movements in Central America. Among other things, it may further trim shipments of crude oil to Nicaragua, citing Managua's continued failure to make required payments.

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Nonetheless, there are limits to how far de la Madrid can go—or may want to go—in adjusting policy. Like most Mexican nationalists, he probably is sympathetic to the revolutionary aspirations of the Sandinistas and other leftists in Central America.

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De la Madrid also believes that cutting off all aid to radical leftists in Central America would deprive Mexico of what leverage it has with them and might drive them further into the Soviet and Cuban camps.

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Domestic critics of the de la Madrid administration are likely to give greater scrutiny to the government's Central American policy because of the current US-Nicaraguan negotiations, elections this fall in Managua, and a possible rebel offensive later this year in El Salvador. A more conservative foreign policy would be highly unpopular domestically.

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Prominent leftists already have attacked de la Madrid's policy adjustments in the media, and he will want to avoid the appearance that Washington is dictating Mexico City's policies.

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Mexico as a result will continue to defend the Sandinistas' interests in future meetings of the Contadora group and at the UN, particularly on such controversial issues as the fairness of Nicaragua's impending election. Mexico also will continue to criticize US military assistance to Central American governments and US military exercises in the region.

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